

PUBLIC NOTICE



FEDERAL COMMUNICATIONS COMMISSION

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COMMON CARRIER BUREAU SEEKS COMMENT ON UPDATING LINE COUNTS FOR CALCULATING HIGH-COST UNIVERSAL SERVICE SUPPORT FOR NON-RURAL CARRIERS FOR THE YEAR 2001

PLEADING CYCLE ESTABLISHED

CC Docket No. 96-45

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Comment Date: August 8, 2000

Reply Comment Date: August 15, 2000

On October 21, 1999, the Commission adopted two orders implementing a new high-cost universal service support mechanism for non-rural carriers for determining support beginning January 1, 2000.¹ The Commission recognized the importance of updating the inputs in the universal service cost model as technology and other conditions change.² On April 7, 2000, the Commission released an order clarifying how updated line count data, filed by non-rural carriers every quarter, would be used to determine support amounts for the year 2000.³ In this Public Notice, we seek comment on updating line count input values for purposes of determining support for the year 2001.⁴

Line counts are used for two general purposes in the high-cost support mechanism for

¹ See *Federal-State Joint Board on Universal Service*, CC Docket 96-45, Ninth Report and Order and Eighteenth Order on Reconsideration, 14 FCC Rcd 20432 (1999) (*Ninth Report and Order*); *Federal-State Joint Board on Universal Service, Forward-Looking Mechanism for High Cost Support for Non-Rural LECs*, Tenth Report and Order, CC Docket Nos. 96-45, 97-160, 14 FCC Rcd 20156 (1999) (*Tenth Report and Order*).

² See *Tenth Report and Order*, 14 FCC Rcd at 20170 ("We believe that the model, as used in the methodology we set out in the companion [order], is the best way to generate non-rural carriers' support amounts for the funding year beginning January 1, 2000. We also recognize, however, that the model must evolve as technology and other conditions change."). Among other things, the Commission recognized the need to consider how often input data should be updated.

³ *Federal-State Joint Board on Universal Service*, Twentieth Order on Reconsideration, CC Docket No. 96-45, FCC 00-126 (rel. April 7, 2000) (*Twentieth Reconsideration Order*).

⁴ See *Tenth Report and Order*, 14 FCC Rcd at 20170.

non-rural carriers.⁵ First, line counts are used in the universal service cost model to estimate the forward-looking costs of providing supported services.⁶ Second, line counts are used to calculate support based on those costs and target that support to high-cost areas. In the *Twentieth Reconsideration Order*, the Commission clarified that the cost model would use the line count input values adopted by the Commission in October 1999, that is, year-end 1998 line counts. The Commission also clarified that support would be calculated and targeted using wire center line count data reported by the carriers on a quarterly basis.⁷ Under this approach, for each state, the average per-line support amounts are determined using the forward-looking cost estimates generated with the October 1999 line count inputs. The Universal Service Administrative Company (USAC) then determines statewide support amounts by multiplying the average per-line support amount by the number of lines reported. While the average per-line support amount does not change from quarter to quarter, the total support amounts change quarterly as the number of lines reported changes.⁸

We seek comment on updating line count data in the universal service cost model. If the line count input values are not updated, non-rural support would continue to increase indefinitely because of line growth.⁹ Thus, the non-rural high-cost support mechanism would never take into account the economies of scale resulting from serving more lines.¹⁰ On July 31, 2000, non-rural carriers will file year-end 1999 wire center line count data.¹¹ We specifically seek comment on whether the Commission should update the line count input values used in the cost model for

⁵ Non-rural carriers are now required to file line count data by wire center, rather than by study area. See 47 C.F.R. §§ 36.611, 36.612, 54.307. Prior to December 30, 1999, non-rural incumbent local exchange carriers and competitive eligible telecommunications carriers seeking to receive support were required to file line count data at the study area level pursuant to section 36.611 and 54.307 of the Commission's rules.

⁶ See <http://www.fcc.gov/ccb/apd/hcpm>. The cost model uses PNR Associates (PNR) wire center line counts trued up to study area access line counts provided by the carriers in their 1998 ARMIS filings.

⁷ Non-rural carriers began filing quarterly wire center line counts for the first time on December 30, 1999. These line counts reflected a carrier's lines as of June 30, 1999.

⁸ See *Twentieth Reconsideration Order*, FCC 00-126 at paras. 9-10, 17.

⁹ Pursuant to the methodology adopted in the *Twentieth Reconsideration Order*, the average per-line support amount calculated using the October 1999 line count input values is multiplied by the number of lines reported to determine statewide support amounts. If the average cost is not adjusted for line growth, line growth always results in an increase in support amounts. If, on the other hand, the reported lines are incorporated earlier in the process, that is, in determining the average cost per-line, the shared costs are spread over more lines and the average per-line support amount could decrease.

¹⁰ See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 8915 (1997) (*First Report and Order*) (subsequent history omitted) ("The cost study or model must estimate the cost of providing service for all businesses and households within a geographic region. . . . Such inclusion of multi-line business services and multiple residential lines will permit the cost study or model to reflect the economies of scale associated with the provision of these services.").

¹¹ See 47 C.F.R. § 36.611.

purposes of determining support amounts for the year 2001.¹² If the Commission were to use these updated line counts in the model, we seek comment on how these line counts, which are USF loops,¹³ should be allocated to the classes of service used in the model.¹⁴ In particular, we seek comment on whether the Commission should use wire center line count data filed by non-rural carriers pursuant to the *1999 Data Request* to allocate lines to the classes of service used in the model.¹⁵ If the Commission were to use the *1999 Data Request* to allocate USF loops to switched line categories, we also seek comment on how to determine the number of special lines in each wire center.¹⁶ Now that carriers file wire center line count data, these line counts should be matched to the wire centers used in the model. Accordingly, we also seek comment on how to match the quarterly wire center line counts with the wire centers in the model.

Pursuant to sections 1.415 and 1.419 of the Commission's rules, 47 C.F.R. §§ 1.415, 1.419, interested parties may file comments on or before **August 8, 2000**, and reply comments on or before **August 15, 2000**. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS) or by filing paper copies. *See Electronic Filing of Documents in Rulemaking Proceedings*, 63 Fed. Reg. 24,121 (1998). Comments filed through the ECFS can be sent as an electronic file via the Internet to <<http://www.fcc.gov/e-file/ecfs.html>>. Generally, only one copy of an electronic submission must be filed. If multiple docket or rulemaking numbers appear in the caption of this proceeding, however, commenters must transmit one electronic copy of the comments to each docket or rulemaking number referenced in the caption. In completing the transmittal screen, commenters should include their full name, Postal Service mailing address, and the applicable docket or rulemaking number. Parties may also submit electronic comments by Internet e-mail. To receive filing instructions for e-mail comments, commenters should send an e-mail to ecfs@fcc.gov, and should include the following words in the body of the message, "get form <your e-mail address.>" A sample form and directions will be sent in reply. Parties who choose to file by paper must file an original and four copies of each

¹² If the Commission were to determine that line count input values should be updated, the average per-line support amount in each state would then be determined using these updated input values. Consistent with the methodology set forth in the *Twentieth Reconsideration Order*, statewide support amounts would be determined by multiplying the updated average support amounts by the number of lines reported each quarter by non-rural carriers in each state.

¹³ Section 36.611 of the Commission's rules requires carriers to file, for universal service support purposes, "working Exchange Line C&WF loops used jointly for exchange and message telecommunications service, including C&WF subscriber lines associated with pay telephones in C&WF Category 1, but excluding WATS closed end access and TWX service." *See* 47 C.F.R. § 36.611(h).

¹⁴ To estimate wire center costs, the model uses line counts for business lines, residential lines, special lines, payphone lines, and single business lines.

¹⁵ *See Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Forward-Looking Mechanism for High-Cost Support for Non-Rural LECs*, CC Docket No. 97-160, Order, DA 99-1406 (rel. July 19, 1999) (*1999 Data Request*). The *1999 Data Request* required non-rural carriers to file year-end 1998 wire center line count data for business lines, residential lines, special lines, payphone lines, and single business lines, measured as voice grade equivalent analog or digital lines. In addition, the *1999 Data Request* sought information on facility (as opposed to voice grade equivalent) line counts for business and special access lines.

¹⁶ The *1999 Data Request* defined "special lines" to include state private lines as well as interstate special access lines. *See 1999 Data Request* at 4-5. The PNR data used in the model was trued-up to 1998 ARMIS access line counts, which includes only interstate lines.

filing. If more than one docket or rulemaking number appears in the caption of this proceeding, commenters must submit two additional copies for each additional docket or rulemaking number. All filings must be sent to the Commission's Secretary, Magalie Roman Salas, Office of the Secretary, Federal Communications Commission, 445 12th Street, S.W., Washington, D.C. 20554.

Parties also must send three paper copies of their filing to Sheryl Todd, Accounting Policy Division, Common Carrier Bureau, Federal Communications Commission, 445 Twelfth Street S.W., Room 5-B540, Washington, D.C. 20554. In addition, commenters must send diskette copies to the Commission's copy contractor, International Transcription Service, Inc., 1231 20th Street, N.W., Washington, D.C. 20037.

Pursuant to section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, this proceeding will be conducted as a permit-but-disclose proceeding in which *ex parte* communications are permitted subject to disclosure.

The full text of this document is available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, SW, Room CY-A257, Washington, DC, 20554. This document may also be purchased from the Commission's copy contractor, International Transcription Service, Inc. (ITS), 1231 20th Street, NW, Washington, DC 20036, telephone 202-857-3800, facsimile 202-857-3805.

For further information, contact Katie King, Accounting Policy Division, Common Carrier Bureau, at (202) 418-7400, TTY (202) 418-0484.